Tsantsabane Local Municipality
(Registration number NC 085)
Annual Financial Statements
for the year ended 30 June 2016

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Tsantsabane Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
Mayoral committee	
Mayor	Mr EEJ Phete
Councillors	Mrs M Oliphant
	Mrs JJ Swart
	Mr MJ Tonyane
	Mr OM Mabilo
	Mrs MC Mashilishili
	Mrs SR Browne
	Mr TP Phohle
	Mr PGE Bessies
	Mrs AJ Ruiters
	Mrs KP Bosman
Grading of local authority	Category B
Accounting Officer	Mr HG Mathobela
Chief Finance Officer (CFO)	Ms A Kooverjee
Registered office	13 Springbok Street Postmasburg 8420
Postal address	P.O.Box 5 Postmasburg 8420
Bankers	ABSA Bank Limited Standard Bank of South Africa
Auditors	Auditor-General of South Africa
Enabling legislation Local Government	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Property Rates Act (Act 6 of 2004) revised 2014 Local Government: Municipal Structures Act (Act 117 of 1998) Local Government: Municipal Systems Act (Act 32 of 2000) Division of Revenue Act (Act 1 of 2015) Local Government: Municipal Demarcation (Act 27 of 1998)

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The reports and statements set out below comprise the annual financial statements presented to the council and the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DORA	Division Of Revenue Act
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IDP	Integrated Development Plan
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
NERSA	National Energy Regulator of South Africa
PAYE	Pay As You Earn
SALGA	South African Local Government Association
SCM	Supply Chain Management
UIF	Unemployment Insurance Fund

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 108, which have been prepared on the going concern basis, were approved by the accounting officer on 14 October 2016 and were signed on its behalf by:

Accounting Officer
Mr HG Mathobela

Audit Committee Report

The accounting officer submits his report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community within the Tsantsabane municipal area and operates principally in South Africa.

The operating results and state of affairs of the municipality are set out full in the attached annual financial statements and do not in my opinion require further comment.

The Net deficit for the year amounted to R55 556 434 (2015: surplus of R1 117 428).

2. Going concern

I draw attention to the fact that at 30 June 2016, the municipality had accumulated surplus of R 621 980 447 and that the municipality's total assets exceed its total liabilities assets by R 621 980 447.

The annual financial statements have been prepared on the basis of the accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Management has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the curent financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue it's operational existence for the foreseeble future.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations published in terms of the Division of Revenue Act (Act 1 of 2015).

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), including any directives and interpretations of such Standards issued by the Accounting Standards Board,and in accordance with Section 122(3) of the Municipal Finance Mangement Act (Act No.56 of 2003).

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr H.G. Mathobela	South African

7. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	10	16 948 531	16 896 381
Receivables from non-exchange transactions	11	3 955 350	3 441 210
Operating lease asset	8	27 237	29 450
Other receivables from exchange transactions	12	17 607 037	18 939 325
Consumer receivables from non-exchange transactions	13	4 519 797	3 546 524
VAT receivable	14	10 012 954	9 340 807
Consumer receivables from exchange transactions	15	17 640 973	14 263 662
Cash and cash equivalents	16	11 190 152	10 716 468
		81 902 031	**77 173 827**
Non-Current Assets			
Investment property	4	91 705 437	88 969 124
Property, plant and equipment	5	589 528 891	596 252 742
Intangible assets	6	63 121	110 802
Heritage assets	7	355 000	355 000
		681 652 449	**685 687 668**
Total Assets		**763 554 480**	**762 861 495**
Liabilities			
Finance lease obligation	18	3 209 093	2 918 006
Payables from exchange transactions	22	109 752 251	51 343 191
Consumer deposits	24	2 019 016	1 841 247
Unspent conditional grants and receipts	19	1 687 948	4 640 460
Long term loan	21	119 979	559 882
		116 788 287	**61 302 786**
Non-Current Liabilities			
Finance lease obligation	18	2 333 527	5 247 253
Defined benefit obligation	9	12 217 000	12 066 000
Provisions	20	10 235 219	6 487 263
Long term loan	21	-	136 480
		24 785 746	**23 936 996**
Non-Current Liabilities		24 785 746	23 936 996
Current Liabilities		116 788 287	61 302 786
Total Liabilities		**141 574 033**	**85 239 782**
Assets		763 554 480	762 861 495
Liabilities		(141 574 033)	(85 239 782)
Net Assets		**621 980 447**	**677 621 713**
Accumulated surplus	17	621 980 447	677 621 713

* See Note 2 & 45

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	28	79 505 625	75 438 461
Licences and permits		1 783 933	1 611 791
Sundry income	30	821 755	17 996 331
Rental income		379 413	509 748
Insurance claims received		113 581	14 875
Donations received		84 000	236 597
Interest received - investment	35	5 192 773	1 070 579
Total revenue from exchange transactions		**87 881 080**	**96 878 382**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	26 227 219	24 020 798
Transfer revenue			
Government grants & subsidies	29	51 933 672	49 337 412
Fines, Penalties and Forfeits		196 835	91 369
Total revenue from non-exchange transactions		**78 357 726**	**73 449 579**
		87 881 080	96 878 382
		78 357 726	73 449 579
Total revenue	26	**166 238 806**	**170 327 961**
Expenditure			
Employee related costs	32	(62 386 537)	(56 620 253)
Remuneration of councillors	33	(3 172 277)	(2 913 756)
Depreciation and amortisation	37	(23 629 751)	(21 899 170)
Finance costs	38	(7 116 178)	(3 049 511)
Lease rentals on operating lease		(432 801)	(410 433)
Debt Impairment	34	(39 820 129)	(10 659 113)
Repairs and maintenance		(18 640 439)	(5 452 852)
Bulk purchases	40	(50 666 413)	(41 304 533)
General Expenses	31	(22 569 758)	(31 710 792)
Total expenditure		**(228 434 283)**	**(174 020 413)**
		-	-
Total revenue		166 238 806	170 327 961
Total expenditure		(228 434 283)	(174 020 413)
Operating deficit		**(62 195 477)**	**(3 692 452)**
Gain on disposal of assets and liabilities		26 397	-
Fair value adjustments	36	5 435 035	3 993 839
Actuarial gains/losses	9	1 092 774	816 041
		6 554 206	**4 809 880**
Operating surplus/deficit		6 554 206	4 809 880
(Deficit) surplus before taxation		(55 641 271)	1 117 428
Taxation		-	-
Surplus/(Deficit) for the year		**(55 641 271)**	**1 117 428**

* See Note 2 & 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	278 083 254	278 083 254
Adjustments		
Prior year adjustments	398 421 031	398 421 031
Balance at 01 July 2014 as restated*	**676 504 285**	**676 504 285**
Changes in net assets		
Deficit for the year	1 117 428	1 117 428
Total changes	1 117 428	1 117 428
Opening balance as previously reported	677 621 718	677 621 718
Restated* Balance at 01 July 2015 *	**677 621 718**	**677 621 718**
Changes in net assets		
Deficit for the year	(55 641 271)	(55 641 271)
Total changes	(55 641 271)	(55 641 271)
Balance at 30 June 2016	**621 980 447**	**621 980 447**

* See Note 2 & 45

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		66 077 101	93 281 231
Grants		48 663 855	49 178 000
Interest income		5 192 773	1 070 579
		119 933 729	143 529 810
Payments			
Employee costs		(64 315 040)	(55 967 009)
Suppliers		(30 412 840)	(51 210 667)
Finance costs		(7 116 178)	(3 014 341)
		(101 844 058)	(110 192 017)
Total receipts		119 933 729	143 529 810
Total payments		(101 844 058)	(110 192 017)
Net cash flows from operating activities	41	**18 089 671**	**33 337 793**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(16 567 768)	(24 680 261)
Proceeds from sale of investment property	4	2 189 082	(3 993 839)
Purchase of other intangible assets	6	(38 281)	61 661
Net cash flows from investing activities		**(14 416 967)**	**(28 612 439)**
Cash flows from financing activities			
Movement in long term loan		(136 480)	(551 494)
Movement in receivables from non-exchange transactions		(439 903)	(45 414)
Finance lease payments		(2 622 637)	7 848 512
Net cash flows from financing activities		**(3 199 020)**	**7 251 604**
Net increase/(decrease) in cash and cash equivalents		**473 684**	**11 976 958**
Cash and cash equivalents at the beginning of the year		10 716 468	(1 260 490)
Cash and cash equivalents at the end of the year	16	**11 190 152**	**10 716 468**

* See Note 2 & 45

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	104 381 000	(13 604 000)	**90 777 000**	79 505 625	**(11 271 375)**	
Agency services	800 000	-	**800 000**	-	**(800 000)**	
Licences and permits	383 000	-	**383 000**	1 783 933	**1 400 933**	
Fees earned	7 844 000	(7 063 000)	**781 000**	821 755	**40 755**	
Rental income	230 000	-	**230 000**	379 413	**149 413**	
Insurance claims received	-	-	**-**	113 581	**113 581**	
Other income	-	-	**-**	84 000	**84 000**	
Interest received - investment	510 000	-	**510 000**	5 192 773	**4 682 773**	
Total revenue from exchange transactions	**114 148 000**	**(20 667 000)**	**93 481 000**	**87 881 080**	**(5 599 920)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	26 000 000	-	**26 000 000**	26 227 219	**227 219**	
Transfer revenue						
Government grants & subsidies	30 997 000	2 700 000	**33 697 000**	51 933 672	**18 236 672**	
Other transfer revenue	310 000	-	**310 000**	196 835	**(113 165)**	
Total revenue from non-exchange transactions	**57 307 000**	**2 700 000**	**60 007 000**	**78 357 726**	**18 350 726**	
'Total revenue from exchange transactions'	114 148 000	(20 667 000)	**93 481 000**	87 881 080	**(5 599 920)**	
'Total revenue from non-exchange transactions'	57 307 000	2 700 000	**60 007 000**	78 357 726	**18 350 726**	
Total revenue	**171 455 000**	**(17 967 000)**	**153 488 000**	**166 238 806**	**12 750 806**	
Expenditure						
Personnel	(63 744 000)	(136 000)	**(63 880 000)**	(62 386 537)	**1 493 463**	
Remuneration of councillors	(3 071 000)	-	**(3 071 000)**	(3 172 277)	**(101 277)**	
Depreciation and amortisation	(15 227 000)	-	**(15 227 000)**	(23 629 751)	**(8 402 751)**	
Finance costs	(6 848 000)	-	**(6 848 000)**	(7 116 178)	**(268 178)**	
Lease rentals on operating lease	-	-	**-**	(432 801)	**(432 801)**	
Bad debts written off	(10 330 000)	-	**(10 330 000)**	(39 820 129)	**(29 490 129)**	
Repairs and maintenance	(8 894 000)	-	**(8 894 000)**	(18 640 439)	**(9 746 439)**	
Bulk purchases	(42 250 000)	-	**(42 250 000)**	(50 666 413)	**(8 416 413)**	
General Expenses	(53 637 000)	(3 686 000)	**(57 323 000)**	(22 569 758)	**34 753 242**	
Total expenditure	**(204 001 000)**	**(3 822 000)**	**(207 823 000)**	**(228 434 283)**	**(20 611 283)**	
	171 455 000	(17 967 000)	**153 488 000**	166 238 806	**12 750 806**	58
	(204 001 000)	(3 822 000)	**(207 823 000)**	(228 434 283)	**(20 611 283)**	58
Operating deficit	**(32 546 000)**	**(21 789 000)**	**(54 335 000)**	**(62 195 477)**	**(7 860 477)**	
Gain on disposal of assets and liabilities	37 800 000	(22 800 000)	**15 000 000**	26 397	**(14 973 603)**	
Fair value adjustments	-	-	**-**	5 435 035	**5 435 035**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actuarial gains/losses	-	-	**-**	1 092 774	**1 092 774**	
	37 800 000	**(22 800 000)**	**15 000 000**	**6 554 206**	**(8 445 794)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	865 000	-	**865 000**	16 948 531	**16 083 531**	
Receivables from non-exchange transactions	-	-	**-**	3 955 350	**3 955 350**	
Operating lease asset	-	-	**-**	27 237	**27 237**	
Other receivables from exchange transactions	16 219 542	-	**16 219 542**	17 607 037	**1 387 495**	
Consumer receivables from non-exchange transactions	37 991 458	-	**37 991 458**	4 519 797	**(33 471 661)**	
VAT receivable	-	-	**-**	10 012 954	**10 012 954**	
Consumer debtors	4 132 000	-	**4 132 000**	17 640 973	**13 508 973**	
Cash and cash equivalents	42 372 000	-	**42 372 000**	11 190 152	**(31 181 848)**	
	101 580 000	**-**	**101 580 000**	**81 902 031**	**(19 677 969)**	
Non-Current Assets						
Investment property	-	-	**-**	91 705 437	**91 705 437**	
Property, plant and equipment	861 903 000	-	**861 903 000**	589 528 891	**(272 374 109)**	
Intangible assets	-	-	**-**	63 121	**63 121**	
Heritage assets	-	-	**-**	355 000	**355 000**	
	861 903 000	**-**	**861 903 000**	**681 652 449**	**(180 250 551)**	
Non-Current Assets	101 580 000	-	**101 580 000**	81 902 031	**(19 677 969)**	
Current Assets	861 903 000	-	**861 903 000**	681 652 449	**(180 250 551)**	
Total Assets	**963 483 000**	**-**	**963 483 000**	**763 554 480**	**(199 928 520)**	
Liabilities						
Current Liabilities						
Finance lease obligation	560 000	-	**560 000**	3 209 093	**2 649 093**	
Payables from exchange transactions	102 347 000	-	**102 347 000**	109 752 246	**7 405 246**	
Consumer deposits	1 960 000	-	**1 960 000**	2 019 016	**59 016**	
Unspent conditional grants and receipts	-	-	**-**	1 687 948	**1 687 948**	
Long term loan	-	-	**-**	119 979	**119 979**	
Bank overdraft	640 000	-	**640 000**	-	**(640 000)**	
	105 507 000	**-**	**105 507 000**	**116 788 282**	**11 281 282**	
Non-Current Liabilities						
Finance lease obligation	6 321 000	-	**6 321 000**	2 333 527	**(3 987 473)**	
Defined benefit obligation	-	-	**-**	12 217 000	**12 217 000**	
Provisions	18 141 000	-	**18 141 000**	10 235 219	**(7 905 781)**	
	24 462 000	**-**	**24 462 000**	**24 785 746**	**323 746**	
	105 507 000	-	**105 507 000**	116 788 282	**11 281 282**	
	24 462 000	-	**24 462 000**	24 785 746	**323 746**	
	-	-	**-**	-	**-**	
Total Liabilities	**129 969 000**	**-**	**129 969 000**	**141 574 028**	**11 605 028**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Assets	963 483 000	-	**963 483 000**	763 554 480	**(199 928 520)**	
Liabilities	(129 969 000)	-	**(129 969 000)**	(141 574 028)	**(11 605 028)**	
Net Assets	**833 514 000**	**-**	**833 514 000**	**621 980 452**	**(211 533 548)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	833 514 000	-	**833 514 000**	621 980 452	**(211 533 548)**	

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	26 500 000	-	26 500 000	-		26 500 000	26 227 219		(272 781)	99 %	99 %
Service charges	104 381 000	(13 604 000)	90 777 000	-		90 777 000	79 505 625		(11 271 375)	88 %	76 %
Investment revenue	510 000	-	510 000	-		510 000	5 192 773		4 682 773	1 018 %	1 018 %
Transfers recognised - operational	30 997 000	2 700 000	33 697 000	-		33 697 000	35 656 167		1 959 167	106 %	115 %
Other own revenue	46 867 000	(29 863 000)	17 004 000	-		17 004 000	9 933 723		(7 070 277)	58 %	21 %
Total revenue (excluding capital transfers and contributions)	**209 255 000**	**(40 767 000)**	**168 488 000**	**-**		**168 488 000**	**156 515 507**		**(11 972 493)**	**93 %**	**75 %**
Employee costs	(63 744 000)	(136 000)	(63 880 000)	-	-	(63 880 000)	(62 386 537)	-	1 493 463	98 %	98 %
Remuneration of councillors	(3 071 000)	-	(3 071 000)	-	-	(3 071 000)	(3 172 277)	-	(101 277)	103 %	103 %
Debt impairment	(10 330 000)	-	(10 330 000)			(10 330 000)	(39 820 129)	-	(29 490 129)	385 %	385 %
Depreciation and asset impairment	(15 227 000)	-	(15 227 000)			(15 227 000)	(23 629 751)	-	(8 402 751)	155 %	155 %
Finance charges	(6 848 000)	-	(6 848 000)	-	-	(6 848 000)	(7 116 178)	-	(268 178)	104 %	104 %
Materials and bulk purchases	(51 144 000)	-	(51 144 000)	-	-	(51 144 000)	(50 666 413)	-	477 587	99 %	99 %
Other expenditure	(53 637 000)	(3 686 000)	(57 323 000)	-	-	(57 323 000)	(41 642 998)	-	15 680 002	73 %	78 %
Total expenditure	**(204 001 000)**	**(3 822 000)**	**(207 823 000)**	**-**	**-**	**(207 823 000)**	**(228 434 283)**	**-**	**(20 611 283)**	**110 %**	**112 %**
Total revenue (excluding capital transfers and contributions)	209 255 000	(40 767 000)	168 488 000	-	-	168 488 000	156 515 507	-	(11 972 493)	93 %	75 %
Total expenditure	(204 001 000)	(3 822 000)	(207 823 000)	-	-	(207 823 000)	(228 434 283)	-	(20 611 283)	110 %	112 %
Surplus/(Deficit)	**5 254 000**	**(44 589 000)**	**(39 335 000)**	**-**		**(39 335 000)**	**(71 918 776)**		**(32 583 776)**	**183 %**	**(1 369)%**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-		-	16 277 505		16 277 505	DIV/0 %	DIV/0 %
Surplus/(Deficit)	5 254 000	(44 589 000)	(39 335 000)	-	-	(39 335 000)	(71 918 776)	-	(32 583 776)	183 %	(1 369)%
Capital transfers and contributions	-	-	-	-	-	-	16 277 505	-	16 277 505	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**5 254 000**	**(44 589 000)**	**(39 335 000)**	**-**		**(39 335 000)**	**(55 641 271)**		**(16 306 271)**	**141 %**	**(1 059)%**
Surplus (Deficit) after capital transfers and contributions	5 254 000	(44 589 000)	(39 335 000)	-	-	(39 335 000)	(55 641 271)	-	(16 306 271)	141 %	(1 059)%
Surplus/(Deficit) for the year	**5 254 000**	**(44 589 000)**	**(39 335 000)**	**-**		**(39 335 000)**	**(55 641 271)**		**(16 306 271)**	**141 %**	**(1 059)%**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.Transfers are made to and from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. if owner occupied property becomes as investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement:

Cost model

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation
Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	15 - 50 years
Plant and machinery	3- 7 years
Furniture and fixtures	7 - 8 years
Motor vehicles	5 - 6 years
Office equipment	3 - 7 years
Computer equipment	3 - 7 years
Infrastructure	
• Roads and Paving	10 - 60 years
• Electricity	10 - 70 years
• Water	15 - 60 years
Community	
• Gaveyard Site	20 - 30 years
• Recreational and Sporting Facility	15 - 50 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.4 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

Initial recognition

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent measuring

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Other intangible assets that are acquired by the municipality and have finite useful lives are initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Where an intangible asset is acquired at no cost, or for a nominal cost, the cost is deemed to be fair value as at the date of acquisition.

Subsequent expenditure

Expenditure on intangible assets shall be recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. All other expenditure, including expenditure on internally generated goodwill and customer lists, is recognised in surplus or deficit as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Licenses and franchises	3 - 7 years or licence period
Computer software, other	3 - 7 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Intangible assets are derecognised on disposal or when no future economic benefits or services potential are expected from its use or disposal. The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in the statement of the statement of financial performance when the asset is derecognised.

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Accounting Policies

1.6 Heritage assets (continued)

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

1.7 Commitments

The term 'commitments' is not defined in any of the standards but may be referred to as the intention to commit to an outflow from the municipality of resources embodying economic benefits.

Generally, a commitment arises when a decision is made to incur a liability e.g. a purchase contract. Such a decision is evidenced by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement.

The municipality may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the municipality has contracted for expenditure but no work has started and no payments have been made.

The notes to the financial statements must disclose the nature and amount of each material individual expenditure commitment and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date. Commitments for the supply of inventories, where a liability under a contract has not yet been recognised, do not require disclosure as a commitment.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation is disclosed in a note to the financial statements, if both the following criteria are met:

- contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Accounting Policies

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one Municipality and a financial liability or a residual interest of another Municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by a municipality on terms that are not market related.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from the municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Accounting Policies

1.8 Financial instruments (continued)

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.8 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Financial assets	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Consumer receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Financial liabilities	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Long term loan	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the Municipality becomes a party to the contractual provisions of the instrument. The municipal Municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Short-term receivables and payables are not discounted where the initial credit period granted or received consistent with terms is used in the public sector, either through established practices or legislation.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the municipality adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the municipality obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the municipality recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

These are initially and subsequently recorded at amortised cost. Fair value approximates the carrying amount. However, where the asset is not readily convertible into cash amounts for a period exceeding three months these are treated as investments.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an asset.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Property,plant and equipment of intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are intially recognised at lower of the asset's fair value and the present value of the minimum lease payments.

When a lease includes both land and buildings elements, the Municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Accounting Policies

1.9 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.10 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented municipality.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Where it is not practical to determine the fair value less costs to sell, the municipality uses the value in use .

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented municipality.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follows:

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Where it is not practical to determine the fair value less costs to sell, the municipality uses the value in use.

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The Municipality accounts for VAT on a monthly basis.

1.14 Employee benefits

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

Accounting Policies

1.14 Employee benefits (continued)

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

The council is demonstrably committed to a termination when the it has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

The detailed plan includes as a minimum:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Accounting Policies

1.14 Employee benefits (continued)

Other long-term employee benefits

Long Service awards

For long service awards the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries.
Actuarial gains and losses are recognised in the statement of financial performance in the period that they occur.

Gains or losses on the curtailment or settlement of long service awards are recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle the long service awards, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a long service award is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the long service award obligation minus the fair value of plan assets, if any.

Actuarial assumptions are included in the note of long service awards.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies

1.14 Employee benefits (continued)

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Accounting Policies

1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Board.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the Board; or
- a present obligation that arises from past events but is not recognised because:
- - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
- - the amount of the obligation cannot be measured with sufficient reliability.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Rendering of services consist out of solid waste, sanitation, sewerage, Electricity and water services.

Service charges

Service charges relating to distribution of electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period. Estimates of consumption between meter readings are based on historical information.

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July.The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

Accounting Policies

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another municipality in exchange.

Fines are economic benefits or service potential received or receivable by municipalities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by municipalities external to the reporting municipality.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.18 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.19 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficits of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Accounting Policies

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an municipality in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Change in accounting policy due to amendments to GRAP 5 - Borrowing costs

The adoption of amendments to GRAP 5 - Borrowing costs resulted in a change in accounting policy during the current period. The effect of the change is that borrowing costs are now expensed when incurred, and this change is applied prospectively since . The effective date of the amendments were .

Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, is recognised in accordance with the municipality's previous accounting policy.

1.22 Materiality

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.23 Comparative figures

When the presentation or classification of an item in the annual financial statements are amended, comparative amounts are reclassified.

1.24 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of govenment, municipality or organ of state and expenditure in a form of a grants that is not permitted in terms fo the Municipal Finance Management Act (Act No56 of 2003). Unauthorised expenditure is accounted for as an expense(measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.ext

1.25 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Detailed disclosure have been made in the notes to the financial statements as required by MFMA.

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality’s supply chain management policy. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Accounting Policies

1.26 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned.

If recovery is not possible, the accounting officer may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant program/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.27 Accumulated surplus

The municipality's surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

1.28 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.29 Budget information

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.30 Related parties

The municipality operates in an economic sector currently dominated by municipalities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only municipalities within the local sphere of government are considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the municipality, including those charged with governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

We regard all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the municipal manager as key management per the definition of the financial reporting standard.

Close members of the family of key management are considered to be those family members who may be expected to influence, or be influenced by, key management in their dealings with the municipality.

Accounting Policies

1.30 Related parties (continued)

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.32 Unspent conditional grants and receipts

Conditional government grants are subjected to specific conditions. If these specific conditions are not met, the money received are repayable.

Unspent conditional grants are financial liabilities that are separately disclosed in the Statement of Financial Position.

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a no exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement
Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.33 Government grants and receipts

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,

Accounting Policies

1.33 Government grants and receipts (continued)

- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

An announcement at the beginning of a financial year that grants may be available for qualifying municipalities in accordance with an agreed program may not be sufficient evidence of the probability of the flow.

Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

2. Changes in accounting policy

Investment properties

During the year, the municipality changed its accounting policy with respect to the treatment of investment properties. In order to conform with the benchmark treatment in of GRAP16 – Investment property. The municipality now measures its investment property at fair value in order to provides reliable and more relevant value of its investment property at reporting date.

As a result of the change in accounting policy the we now recognise losses or gains in fair value adjustment in statement of financial performance.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2015 is disclosed in notes 44.38 and 44.47:

3. New standards and interpretations

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting municipality's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An municipality that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting municipality) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting municipality and its ability to deliver agreed services, including assessments of the risks and opportunities facing the municipality. This disclosure also ensures that the reporting municipality is transparent about its dealings with related parties.

The standard states that a related party is a person or an municipality with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or a municipality that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting municipality:

- A person or a close member of that person's family is related to the reporting municipality if that person:
  - has control or joint control over the reporting municipality;
  - has significant influence over the reporting municipality;
  - is a member of the management of the municipality or its controlling municipality.
- A municipality is related to the reporting municipality if any of the following conditions apply:
  - the municipality is a member of the same economic municipality (which means that each controlling municipality, controlled municipality and fellow controlled municipality is related to the others);
  - one municipality is an associate or joint venture of the other municipality (or an associate or joint venture of a member of an economic municipality of which the other municipality is a member);
  - both municipalities are joint ventures of the same third party;
  - one municipality is a joint venture of a third municipality and the other municipality is an associate of the third municipality;
  - the municipality is a post-employment benefit plan for the benefit of employees of either the municipality or an municipality related to the municipality. If the reporting municipality is itself such a plan, the sponsoring employers are related to the municipality;
  - the municipality is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that municipality or is a member of the management of that municipality (or its controlling municipality).

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting municipality and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector municipality.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an municipality to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an municipality is a principal or an agent.

It furthermore covers Definitions, Identifying whether an municipality is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset’s service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset’s service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that municipality. “Generally accepted accounting practice” has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain municipalities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The municipality expects to adopt the standard for the first time in the 2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2016 or later periods but are not relevant to its operations:

4. Investment property

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	91 705 437	-	91 705 437	88 969 124	-	88 969 124

4. Investment property (continued)

Reconciliation of investment property - 2016

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property	88 969 124	(2 189 082)	(541 748)	5 467 143	91 705 437

Reconciliation of investment property - 2015 (Restated*)

	Opening balance	Fair value adjustments	Total
Investment property	84 975 285	3 993 839	88 969 124

Pledged as security

None of the properties were pledged as security for any financial liability.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2016. Revaluations were performed by an independent valuer, DDP Valuers a Professional Valuer, registered with the South African Council for the Property Valuers Profession. They are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. The process to determination of market values took into account the following assumptions, among other things, (a) selling prices of similar recent property sales in Tsantsabane, (b) age and current condition of the buildings, (c) use of the building, (d) existing current lease agreement in place, (e) discount rate in line with the municipality estimated cost of borrowings and (f) any other key assumptions deemed necessary.

There are no restrictions on the realisability of the investment property or the remittance of revenue generated by investment properties. Valuations were done by an independent sworn appraiser.

Amounts recognised in surplus and deficit for the year.

Investment property located in (a foreign country: specify) is governed by that country's exchange controls and therefore the rental income and proceeds from any sale of that investment property are not available to the municipality:

5. Property, plant and equipment

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	29 307 836	-	29 307 836	29 307 836	-	29 307 836
Buildings	71 073 280	(21 129 896)	49 943 384	71 073 280	(18 353 183)	52 720 097
Infrastructure	588 580 095	(116 736 532)	471 843 563	580 192 476	(98 861 420)	481 331 056
Landfill Sites	2 630 480	(462 757)	2 167 723	2 630 480	(251 936)	2 378 544
Other property, plant and equipment	23 144 920	(14 561 052)	8 583 868	24 396 948	(14 044 664)	10 352 284
Work in Progress	27 682 517	-	27 682 517	20 162 925	-	20 162 925
Total	**742 419 128**	**(152 890 237)**	**589 528 891**	**727 763 945**	**(131 511 203)**	**596 252 742**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	29 307 836	-	-	-	-	29 307 836
Buildings	52 720 097	-	-	-	(2 776 713)	49 943 384
Infrastructure	481 331 056	-	-	8 387 619	(17 875 112)	471 843 563
Landfills	2 378 544	-	-	-	(210 821)	2 167 723
Other property, plant and equipment	10 352 284	927 958	(15 230)	-	(2 681 144)	8 583 868
Work in progress	20 162 925	15 397 571	-	(7 877 979)	-	27 682 517
	596 252 742	**16 325 529**	**(15 230)**	**509 640**	**(23 543 790)**	**589 528 891**

Reconciliation of property, plant and equipment - 2015 (Restated*)

	Opening balance	Additions	Transfers	Depreciation	Total
Land	29 307 836	-	-	-	29 307 836
Buildings	55 496 810	-	-	(2 776 713)	52 720 097
Infrastructure	492 110 247	-	6 835 060	(17 614 251)	481 331 056
Landfills	2 504 512	-	-	(125 968)	2 378 544
Other property, plant and equipment	2 414 509	9 236 525	-	(1 298 750)	10 352 284
Work in Progress	11 651 079	15 346 906	(6 835 060)	-	20 162 925
	593 484 993	**24 583 431**	**-**	**(21 815 682)**	**596 252 742**

Pledged as security

No property plant and equipments are pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	2 266 550	(2 203 429)	63 121	2 228 269	(2 117 467)	110 802

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	110 802	38 281	(85 962)	63 121

Reconciliation of intangible assets - 2015 (Restated*)

	Opening balance	Amortisation	Total
Computer software	194 289	(83 487)	110 802

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

6. Intangible assets (continued)

Pledged as security

No intangible assets are pledged as security.

7. Heritage assets

	2016			2015		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Mayoral chain and statue	355 000	-	355 000	355 000	-	355 000

Reconciliation of heritage assets 2016

	Opening balance	**Total**
Mayoral chain and statue	355 000	355 000

Reconciliation of heritage assets 2015

	Opening balance	**Total**
Mayoral chain and statue	355 000	355 000

8. Operating lease asset (accrual)

Currrent asset	27 237	29 450
At the Statement of Financial Position date, where the municipality acts as a lessor under non-cancellable operating leases, it will receive operating lease income as follows:		
Up to 1 year	68 826	123 412
2 to 5 years	287 345	356 171
	356 171	**479 583**

The municipality leases buildings to the Electoral Commission over a period of 36 months commencing on 01 April 2013 ending 31 March 2016. The escalation on rental is 7,5%. There's no option to purchase.

The municipality leases land to Vodacom (Pty) Ltd over a period of 60 months, commencing on 01 January 2016 ending 31 December 2021. The escalation on rental is 6,9%. There is no option to purchase.

The Municipality leases land to Mobile Telephone Networks (Pty) Ltd over a period of 119 months, comencing on 01 May 2011 ending 31 March 2021. The escalation on rental is 8%. There is no option to purchase.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

9. Defined benefit obligation

Defined benefit plan

The defined benefit liability as disclosed below is represented by two different post-employment benefits. The benefits as set out below are externally funded.

Post-employment medical aid plan

Continuation members, active members, spouses and dependents receive a fixed subsidy of 70% subject to the maximum (CAP) amount of R3,871.00 (2015 - R3,763.30) per member.

Upon a members death-in-retirement, the surviving dependants will continue to receive the same 70% subsidy.

Long service award

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Barganing Council (SALGBC) collective agreement on Conditions of Service for the Northern Cape Division of SALGBC. The agreement is effective 1 July 2010.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(12 217 000)	(12 066 000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	12 066 000	11 450 000
Benefits paid	(1 926 579)	(803 000)
Net expense recognised in the statement of financial performance	2 077 579	1 419 000
	12 217 000	**12 066 000**

Net expense recognised in the statement of financial performance

Interest costs	1 096 000	989 000
Current service costs	640 000	606 000
Actuarial (gains) losses	341 579	(176 000)
	2 077 579	**1 419 000**

Figures in Rand	2016	2015

9. Defined benefit obligation (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate	Yield curve	Yield curve
Normal salary increase rate	CPI +1%	CPI + 1%
Net effective discount rate	Yield curve based	Yield curve based
Mortality rate	SA 85-90	SA 85-90
Normal Retirement age	65	65
Average retirement age	63	63
Consumer price inflation (CPI)	Difference between nominal and real yield curve	Difference between nominal and real yield curve

Other assumptions:

Discount rate
GRAP 25 defines the determination of the Discount rate assumption to be used as follows:
"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

The nominal and real zero curves as at 30 June 2016 as supplied by the JSE, was used to determine the discounted rates and CPI assumptions at each relevant time period. This methodology has cahnged from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Normal salary inflation rate
The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2016 of 6%

Average retirement age
The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for illhealth and early retirements.

Normal retirement age
The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates
Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

10. Inventories

Consumable stores	447 048	409 623
RDP Inventory	16 412 714	16 412 714
Water in pipes and reservoirs	88 769	74 044
	16 859 762	16 822 337
	16 948 531	**16 896 381**

Inventory pledged as security

No inventory was pledged as security for any financial liability at year-end.

11. Receivables from non-exchange transactions

NC Department of Health Primary Health Grant	3 310 000	3 310 000
Deposits held	645 350	131 210
	3 955 350	**3 441 210**

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for any financial liability at year-end.]

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions although past due are not considered to be impaired as it is the municipality's policy not to impair government receivables. At 30 June 2016, R3,310,000 (2015: R3,310 000) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	3 310 000	3 310 000

12. Other receivables from exchange transactions

Sale of erven	17 118 814	18 939 325
Prepaid sales receivable	226 391	-
Undeposited receipts	261 832	-
	17 607 037	**18 939 325**

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

12. Other receivables from exchange transactions (continued)

Receivables from exchange transaction past due but not impaired

Receivables which are more than 3 months past due are considered for impairment as per the municipality's impairment policy. At 30 June 2016, R 17 118 814 (2015: R 18 939 325) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	17 118 814	18 939 325

13. Consumer receivables from non-exchange transactions

Property Rates	4 519 797	3 546 524
Gross balances		
Property Rates	27 789 592	16 964 450
Less: Allowance for impairment		
Property rates	(23 269 795)	(13 417 926)
Net balance		
Property Rates	4 519 797	3 546 524
Rates		
Current (0 - 30 days)	2 001 175	1 115 133
31 - 30 days	676 141	377 165
61 - 90 days	479 979	344 974
91 - 120 days	487 922	441 786
121 - 365 days	11 258 056	4 721 326
> 365 days	12 886 319	9 964 066
Less Impairment	(23 269 795)	(13 417 926)
	4 519 797	**3 546 524**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

13. Consumer receivables from non-exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 - 30 days)	548 312	655 656
31 - 60 days	365 640	227 241
61 - 90 days	283 176	210 821
91 - 120 days	323 501	198 267
121 - 365 days	1 938 751	1 265 190
> 365 days	7 632 480	5 428 579
Less: Impairment	(9 089 267)	(7 705 748)
	2 002 593	**280 006**
Industrial / commercial		
Current (0 - 30 days)	1 338 195	296 057
31 - 60 days	234 748	76 724
61 - 90 days	121 852	63 090
91 - 120 days	89 672	176 559
121 - 365 days	7 931 305	1 801 754
> 365 days	5 253 838	4 535 487
Less: Impairment	(14 180 528)	(5 712 178)
	789 082	**1 237 493**
National and provincial government		
Current (0 - 30 days)	114 669	163 420
31 - 60 days	75 753	73 201
61 - 90 days	74 951	71 063
91 - 120 days	74 749	66 959
121 - 365 days	1 388 000	1 654 382
	1 728 122	**2 029 025**
Total		
Current (0 - 30 days)	2 001 176	1 115 133
31 - 60 days	676 141	377 165
61 - 90 days	479 979	344 974
91 - 120 days	487 922	441 786
121 - 365 days	11 258 056	4 721 326
> 365 days	12 886 318	9 964 066
Less: Impairment	(23 269 795)	(13 417 926)
	4 519 797	**3 546 524**

Credit quality of consumer receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer receivables from non-exchange transactions pledged as security

Non of the consumer receivables from non exchange transactions were pledged as security for any financial liability at year end.

Figures in Rand	2016	2015

13. Consumer receivables from non-exchange transactions (continued)

Consumer receivables from non-exchange transactions past due but not impaired

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 2 518 621 (2015: R 2 431 391) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Reconciliation of provision for impairment of consumer receivables from non-exchange transactions

Balance at the beginning of the year	(13 417 927)	(9 891 955)
Contributions (to) / from allowance	(10 277 199)	(3 525 972)
Debt impairment written off against the allowance	425 331	-
	(23 269 795)	**(13 417 927)**

14. VAT receivable

VAT	10 012 954	9 340 807

15. Consumer receivables from exchange transactions

Gross balances		
Electricity	12 709 859	8 972 606
Other sundry	2 281 476	3 535 752
Refuse	24 637 281	17 711 671
Waste water	41 587 722	31 925 524
Water	59 225 036	50 311 117
	140 441 374	**112 456 670**
Less: Allowance for impairment		
Electricity	(6 543 388)	(3 117 084)
Refuse	(22 025 140)	(15 628 510)
Sewerage	(37 713 592)	(28 562 521)
Water	(54 081 272)	(47 548 000)
Other sundry	(2 437 009)	(3 336 893)
	(122 800 401)	**(98 193 008)**
Net balance		
Electricity	6 166 471	5 855 522
Refuse	2 612 141	2 083 161
Sewerage	3 874 130	3 363 003
Water	5 143 764	2 763 117
Other sundry	(155 533)	198 859
	17 640 973	**14 263 662**
Electricity		
Current (0 -30 days)	2 792 637	1 094 228
31 - 60 days	1 941 936	211 825
61 - 90 days	1 481 155	390 126
91 - 120 days	841 172	511 659
121 - 365 days	3 424 486	1 887 566
> 365 days	2 228 473	4 877 203
Less: Impairment	(6 543 388)	(3 117 085)
	6 166 471	**5 855 522**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

15. Consumer receivables from exchange transactions (continued)

Water		
Current (0 -30 days)	2 138 235	1 988 383
31 - 60 days	1 405 190	902 267
61 - 90 days	1 400 357	1 079 742
91 - 120 days	1 333 332	1 057 027
121 - 365 days	9 653 711	8 825 667
> 365 days	43 294 210	36 458 032
Less: Impairment	(54 081 271)	(47 548 001)
	5 143 764	**2 763 117**
Sewerage		
Current (0 -30 days)	1 715 540	1 034 389
31 - 60 days	1 385 847	629 165
61 - 90 days	1 320 082	576 594
91 - 120 days	1 214 922	560 272
121 - 365 days	8 772 071	4 138 181
> 365 days	27 179 260	24 986 921
Less: Impairment	(37 713 592)	(28 562 519)
	3 874 130	**3 363 003**
Refuse		
Current (0 -30 days)	814 316	303 864
31 - 60 days	905 926	425 539
61 - 90 days	868 104	368 753
91 - 120 days	807 384	336 773
121 - 365 days	5 724 755	2 300 891
> 365 days	15 516 795	13 975 851
Less: Impairment	(22 025 139)	(15 628 510)
	2 612 141	**2 083 161**
Other		
Current (0 -30 days)	143 838	125 781
31 - 60 days	53 287	38 196
61 - 90 days	44 171	42 835
91 - 120 days	30 534	37 988
121 - 365 days	199 903	155 991
> 365 days	1 809 743	3 134 961
Less: Impairment	(2 437 009)	(3 336 893)
	(155 533)	**198 859**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

15. Consumer receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	3 446 070	2 424 605
31 - 60 days	3 142 412	1 637 615
61 - 90 days	3 091 565	1 740 572
91 - 120 days	2 877 159	1 705 604
121 - 365 days	21 056 166	13 265 658
> 365 days	76 336 867	68 838 123
	109 950 239	89 612 177
Less: Allowance for impairment	(109 061 922)	(87 929 750)
	888 317	**1 682 427**
Industrial/ commercial		
Current (0 -30 days)	3 611 069	1 812 672
31 - 60 days	2 102 886	362 527
61 - 90 days	1 620 831	471 401
91 - 120 days	978 000	578 412
121 - 365 days	4 003 509	2 449 235
> 365 days	4 235 830	5 632 736
	16 552 125	11 306 983
Less: Allowance for impairment	(13 738 480)	(10 263 258)
	2 813 645	**1 043 725**
National and provincial government		
Current (0 -30 days)	547 427	309 368
31 - 60 days	446 889	206 851
61 - 90 days	401 474	246 078
91 - 120 days	372 184	219 703
121 - 365 days	2 715 252	1 593 402
> 365 days	9 455 786	8 962 108
	13 939 012	**11 537 510**
Total		
Current (0 -30 days)	7 604 566	4 546 645
31 - 60 days	5 692 187	2 206 993
61 - 90 days	5 113 870	2 458 051
91 - 120 days	4 227 343	2 503 720
121 - 365 days	27 774 926	17 308 295
> 365 days	90 028 482	83 432 966
	140 441 374	112 456 670
Less: Allowance for impairment	(122 800 401)	(98 193 008)
	17 640 973	**14 263 662**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(98 193 009)	(91 059 867)
Contributions (to) / from allowance	(29 542 929)	(7 133 141)
Debt impairment written off against allowance	4 935 537	-
	(122 800 401)	**(98 193 008)**

Figures in Rand	2016	2015

15. Consumer receivables from exchange transactions (continued)

Consumer receivables from exchange transactions pledged as security

No consumer receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of consumer receivables from exchange transactions

The credit quality of consumer receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Consumer debtors past due but not impaired

Consumer receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 10 036 406 (2015: R 2 431 391) were past due but not impaired.

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	52 750	2 750
Bank balances	808 586	344 026
Short term investments	10 328 816	10 369 692
	11 190 152	**10 716 468**

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for [Eskom accounts]	8 173 064	8 173 064

The capital invested on a ABSA Fixed Deposit account has been ceded to Eskom as a guarantee on electricity accounts.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

16. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA Bank - Current account	220 821	134 281	7 992 080	220 821	(639 993)	(18 593 296)
Standard Bank - Current account	6 863	-	-	6 863	-	-
Standard Bank - Current account	580 902	1 712 750	-	580 902	984 019	-
Standard Bank - Money markert call account	338 437	-	-	338 437	-	-
Standard Bank - Notice deposit	3 524	-	-	2 876	-	-
FNB - Fixed deposit	524 430	-	-	524 430	-	-
ABSA Bank - Fixed deposit	621 252	585 753	559 820	630 011	585 753	559 820
ABSA BAnk - Fixed deposit	8 748 288	8 200 000	8 200 000	8 833 062	8 200 000	8 650 857
ABSA Bank - Fixed deposit	-	281 404	281 404	-	281 404	281 404
ABSA Bank - Call account	-	1 906	1 906	-	1 906	1 906
ABSA Bank - Call account	-	195 841	47 953	-	195 841	47 953
ABSA Bank - Call account	-	1 000	891 000	-	1 000	891 000
ABSA Bank - Call account	-	999 268	2 181 360	-	999 268	2 181 360
ABSA Bank - Call account	-	10 708	1 265 286	-	10 708	1 282 112
ABSA Bank - Call account	-	1 578	1 578	-	1 578	1 578
ABSA Bank - Call account	-	2 500	2 500	-	2 500	2 500
ABSA Bank - Call account	-	2 469	2 398	-	2 469	2 398
ABSA Bank - Call account	-	1 007	1 001	-	1 007	1 001
ABSA Bank - Call account	-	6 013	5 636	-	6 013	5 636
ABSA Bank - Call account	-	79 892	-	-	80 245	-
Total	**11 044 517**	**12 216 370**	**21 433 922**	**11 137 402**	**10 713 718**	**(4 683 771)**

17. Accumulated surplus

Accumulated surplus (deficit)	677 621 718	676 504 285

18. Finance lease obligation

Minimum lease payments due		
- within one year	3 589 795	3 502 486
- in second to fifth year inclusive	2 424 141	5 732 682
	6 013 936	9 235 168
less: future finance charges	(471 316)	(1 069 911)
Present value of minimum lease payments	**5 542 620**	**8 165 257**
Present value of minimum lease payments due		
- within one year	3 209 093	2 867 565
- in second to fifth year inclusive	2 333 527	5 297 692
	5 542 620	**8 165 257**

It is municipality policy to lease certain motor vehicles and office equipment under finance leases.

The average lease term was 3 - 5 years and the average effective borrowing rate was 1% (2015: 1%).

Interest rates are linked to prime at the contract date. All leases escalate at 8% p.a and no arrangements have been entered into for contingent rent.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Finance Management Grant	-	6 013
Kumba Projects	-	999 268
Library Grant	10 708	10 708
Lotto Grant	1 906	1 906
Sishen Iron Ore Financial Support Grant	1 675 334	3 622 565
	1 687 948	**4 640 460**

See note 29 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

20. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Re-assessment	Change in discount factor	Total
Environmental rehabilitation	6 487 263	7 414 189	(4 309 553)	643 320	10 235 219

Reconciliation of provisions - 2015

	Opening Balance	Change in discount factor	Total
Environmental rehabiliation	5 937 998	549 265	6 487 263

Rehabilitation Landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2016 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the landfill sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 9.92% for the circumstances of the municipality.

Rehabilitation quarry site

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2016 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the quarry sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 9.92% for the circumstances of the entity.

21. Long term loan

The Municipality acquired one loan from Development Bank of South Africa. The loan is repayable quarterly at the rate of 5%. The loan is redeemable on the 30 June 2017. The loan is unsecured. Futher details of the loan are included in Appendix A to the annual financial statements.

The municipality did not difault on any of the borrowings, whether it be on the capital or interest portions, and non ot the terms attached to the borrowings were re-negotiated.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

21. Long term loan (continued)

Non-current liability		
At amortised cost	-	136 480
Current liability		
At amortised cost	119 979	559 882

22. Payables from exchange transactions

Debtors with credit balances	2 791 932	1 853 067
Bonus Accrual	1 453 271	1 328 073
Deffered revenue	100 510	-
Retentions	1 074 854	1 101 204
Leave accrual	4 440 077	3 922 628
Sundry creditors	-	33 880
Trade payables	72 655 737	29 005 249
Salary Control	1 084 947	2 153 593
Un-allocated Deposits	26 150 918	11 945 499
	109 752 251	**51 343 191**

23. VAT liability

VAT is payable on the receipts basis. VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors. All VAT returns have been submitted by the due date throughout the financial year.

24. Consumer deposits

Water and Electricity	1 983 976	1 819 109
Comunity halls and other	35 040	22 138
	2 019 016	**1 841 247**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

25. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	3 955 350	3 955 350
Other receivables from exchange transactions	17 607 037	17 607 037
Consumer receivables from non-exchange transactions	4 519 797	4 519 797
Consumer receivables from exchange transactions	17 640 973	17 640 973
Cash and cash equivalents	11 190 152	11 190 152
	54 913 309	**54 913 309**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	5 542 620	5 542 620
Payables from exchange transactions	109 752 251	109 752 251
Long term loan	119 979	119 979
	115 414 850	**115 414 850**

2015

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	3 441 210	3 441 210
Receivables from exchange transactions	18 939 325	18 939 325
Consumer receivables from non-exchange transactions	3 546 524	3 546 524
Consumer receivables from exchange transactions	14 263 662	14 263 662
Cash and cash equivalents	10 716 468	10 716 468
	50 907 189	**50 907 189**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	8 165 257	8 165 257
Payables from exchange transactions	51 343 191	51 343 191
Long term loan	696 362	696 362
	60 204 810	**60 204 810**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

26. Revenue

Donations received	84 000	236 597
Fees earned	821 755	17 996 331
Fines, Penalties and Forfeits	196 835	91 369
Government grants & subsidies	51 933 672	49 337 412
Insurance claims received	113 581	14 875
Interest received - investment	5 192 773	1 070 579
Licences and permits	1 783 933	1 611 791
Property rates	26 227 219	24 020 798
Rental income	379 413	509 748
Service charges	79 505 625	75 438 461
	166 238 806	**170 327 961**

The amount included in revenue arising from exchanges of goods or services are as follows:

Donations received	84 000	236 597
Fees earned	821 755	17 996 331
Insurance claims received	113 581	14 875
Interest received - investment	5 192 773	1 070 579
Licences and permits	1 783 933	1 611 791
Rental income	379 413	509 748
Service charges	79 505 625	75 438 461
	87 881 080	**96 878 382**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	26 227 219	24 020 798
Transfer revenue		
Fines, Penalties and Forfeits	196 835	91 369
Government grants & subsidies	51 933 672	49 337 412
	78 357 726	**73 449 579**

27. Property rates

Property rates levied

Property rates	26 227 219	24 020 798

28. Service charges

Refuse removal	10 641 385	8 339 671
Sale of electricity	34 364 371	36 558 722
Sale of water	18 625 176	16 586 348
Sewerage and sanitation charges	15 874 693	13 953 720
	79 505 625	**75 438 461**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

29. Government grants and subsidies

Operating grants		
Expanded Puplic Works Programme Grant	1 000 000	1 000 000
Equitable share	28 192 000	27 070 000
Financial Management Grant	1 886 936	1 806 515
Department of Health Grant	-	424 000
Library Grant	1 700 000	1 896 015
Municipal Systems Improvements Grant	930 000	934 000
Sishen Iron Ore Financial Support Grant	1 947 231	1 025 773
Department of Health Grant	-	359 221
Capital grants		
Corporative Governance, Human Settlements and Traditional Affiars Grant	119 237	-
Kumba Grant	999 268	61 494
Municipal Infranstructural Grant	15 159 000	14 760 394
	51 933 672	**49 337 412**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	22 253 884	20 796 557
Unconditional grants received	28 192 000	27 070 000
	50 445 884	**47 866 557**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructural Grant

Balance unspent at beginning of year	-	2 164 394
Current-year receipts	15 159 000	14 760 000
Conditions met - transferred to revenue	(15 159 000)	(14 760 394)
Tranfer to Equitable share	-	(2 164 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

Municipal Systems Improvement Grant

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

Financial Management Grant

Balance unspent at beginning of year	6 013	-
Current-year receipts	1 875 000	1 800 000
Conditions met - transferred to revenue	(1 881 013)	(1 793 987)
	-	**6 013**

Conditions still to be met - remain liabilities (see note 19).

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

29. Government grants and subsidies (continued)

SISHEN IRON ORE FINANCIAL SUPPORT GRANT

Balance unspent at beginning of year	3 622 565	719 903
Current-year receipts	-	3 928 435
Conditions met - transferred to revenue	(1 947 231)	(1 025 773)
	1 675 334	**3 622 565**

Conditions still to be met - remain liabilities (see note 19).

TSASAMBA/KUMBA

Balance unspent at beginning of year	999 268	1 060 762
Conditions met - transferred to revenue	(999 268)	(61 494)
	-	**999 268**

Conditions still to be met - remain liabilities (see note 19).

LIBRARY GRANT

Balance unspent at beginning of year	10 708	2 021 723
Current-year receipts	1 700 000	1 085 000
Conditions met - transferred to revenue	(1 700 000)	(3 096 015)
	10 708	**10 708**

Conditions still to be met - remain liabilities (see note 19).

Expanded Public Works Programme

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

LOTTO PROJECT GRANT

Balance unspent at beginning of year	1 906	26 008
Current-year receipts	-	(24 102)
	1 906	**1 906**

Conditions still to be met - remain liabilities (see note 19).

30. Other revenue

Donations	84 000	236 597
Fees earned	821 755	17 996 331
Insurance Claim Refund	113 581	14 875
Rental income - third party	379 413	509 748
	1 398 749	**18 757 551**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

31. General expenses

Advertising	186 562	238 836
Auditors remuneration	3 376 139	6 039 881
Bank charges	581 574	341 403
Chemicals	246 806	497 551
Cleaning Materials	49 242	54 268
Consulting and professional fees	4 354 484	5 072 623
Debt collection	192 436	-
Delivery expense	2 093	2 090
Entertainment	89 413	40 504
Grants and subsidies paid (indigents)	4 334 817	11 201 145
Insurance	346 717	-
Motor vehicle expenses	2 236 164	2 009 261
Other expenses	826 249	1 659 169
Postage and courier	208 191	320 257
Printing and stationery	429 797	342 540
Protective clothing	429 679	163 791
Royalties and license fees	1 000 547	822 674
Subscriptions and membership fees	393 656	342 128
Telephone and fax	902 371	844 180
Training	21 398	204 500
Travel - local	2 361 423	1 513 991
	22 569 758	**31 710 792**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

32. Employee related costs

Annual bonus	2 647 934	2 221 399
Basic salary	36 981 978	35 198 703
Housing benefits and allowances	1 713 047	83 589
Leave provision expense	696 887	773 520
Long-service awards	288 000	290 000
Medical aid - company contributions	2 337 850	1 862 278
Other payroll levies	21 570	20 030
Overtime payments	6 333 430	5 372 763
Pension fund contribution	5 101 041	4 500 296
Provident fund contribution	113 600	117 700
Skills Development Levy	488 578	437 236
Standby Allowance	658 356	656 382
Travel, motor car, accommodation, subsistence and other allowances	4 633 647	4 669 568
Unemployment Insurance Fund	364 429	337 942
Worksmen Compensation	6 190	78 847
	62 386 537	**56 620 253**

Remuneration of Municipal Manager

Annual Remuneration	1 042 783	966 629
Transport Allowance	259 621	234 000
Cellphone Allowance	30 000	30 000
Other	82 392	40 834
	1 414 796	**1 271 463**

Remuneration of Chief Finance Officer

Annual Remuneration	599 056	543 273
Transport Allowance	280 559	261 344
Annual Bonus	44 495	41 538
Cellphone Allowance	22 800	22 800
Other	97 324	126 212
	1 044 234	**995 167**

Remuneration of Technical Director

Annual Remuneration	573 152	543 385
Transport Allowance	369 711	350 496
Cellphone Allowance	22 800	22 800
Other	43 514	34 712
	1 009 177	**951 393**

Corporate and Human Resources (Corporate Services)

Annual Remuneration	687 462	627 093
Transport Allowance	289 215	270 000
Cellphone Allowance	22 800	22 800
Other	37 714	43 184
	1 037 191	**963 077**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

32. Employee related costs (continued)

Remuneration of Community Services Director

Annual Remuneration	607 254	547 479
Transport Allowance	369 711	350 496
Cellphone Allowance	22 800	22 800
Other	30 360	18 323
	1 030 125	**939 098**

33. Remuneration of councillors

Councillors	3 172 277	2 913 756
Executive Mayor	748 918	704 455
Councillors	2 423 358	2 209 300
	3 172 276	**2 913 755**

34. Debt impairment

Debt impairment	39 820 129	10 659 113

35. Investment revenue

Interest revenue		
Bank	883 219	1 070 579
Interest source 1	4 309 554	-
	5 192 773	**1 070 579**
	-	-
	5 192 773	1 070 579

36. Fair value adjustments

Investment property (Fair value model)	5 435 035	3 993 839

37. Depreciation and amortisation

Property, plant and equipment	23 543 789	21 815 683
Intangible assets	85 962	83 487
	23 629 751	**21 899 170**

38. Finance costs

Actuarial Interest	1 096 000	989 000
Current borrowings	33 673	231 143
Finance leases	1 287 467	35 170
Trade and other payables	4 699 038	1 794 198
	7 116 178	**3 049 511**

39. Auditors' remuneration

Audit fees	3 376 139	6 039 881

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

40. Bulk purchases

Electricity	34 266 307	29 674 000
Water	16 400 106	11 630 533
	50 666 413	**41 304 533**

41. Cash generated from operations

(Deficit) surplus	(55 641 271)	1 117 428
Adjustments for:		
Depreciation and amortisation	23 629 751	21 899 170
Loss on sale of assets and liabilities	(26 397)	-
Fair value adjustments	(5 435 035)	(3 993 839)
Finance costs - Finance leases	1 287 467	35 170
Debt impairment	39 820 129	10 659 113
Movements in operating lease assets and accruals	2 213	1 608
Movements in retirement benefit assets and liabilities	151 000	2 859 000
Movements in provisions	3 747 956	(1 693 735)
Changes in working capital:		
Inventories	(52 150)	1 648 603
Other receivables from exchange transactions	1 332 288	322 735
Consumer receivables from exchange	(44 170 713)	(26 734 499)
Consumer receivables from non-exchange	(514 140)	13 695 505
Payables from exchange transactions	57 405 463	38 335 840
VAT	(672 147)	(11 099 573)
Unspent conditional grants and receipts	(2 952 512)	(13 946 286)
Consumer deposits	177 769	231 553
	18 089 671	**33 337 793**

42. Capital commitments

Authorised capital expenditure

Approved and contracted for		
• Property, plant and equipment	32 697 337	17 230 845
Total capital commitments		
Already contracted for but not provided for	32 697 337	17 230 845

This committed expenditure relates to property and operational expenditure and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	68 826	123 411
- in second to fifth year inclusive	287 345	356 171
	356 171	**479 582**

For More details rever to note 7.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

43. Contingencies

Contingent liabilities

2016

The Municipality is being sued for the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain.

AXSYS vs Tsantsabane Local Municipality, relating to service agreement termination and non payment by the municipality R4000 000.

36 Employee vs Tsantsabane Local Municipality, relating to labour disputes. The litigation value is uknown

The municipality is operating an unlicenced landfill site, therefore a posibble litigation might arise where by the department will impose a fine for contravention of the National Environmental Management: Waste Act No 59 of 2008. The munucipality is exposed to a maximum penalty that might be imposed to it of R10 000 000.

2015

The municipality is involved in legal battle relating to a transfer of property by a company. The financial impact of matters is unknown

The municipality is plaintiff in a case relating to a project for construction of paving and another case with a different contractor relating to payments of a construction project. The financial impact of both matters is unknown.

An individual is demanding an amount of R 8,000,000 from the municipality in relation to repairs made at a municipal property while the municipality wishes to take back the said property.

The municipality is operating an unlicenced landfill site, therefore a posibble litigation might arise where by the department will impose a fine for contravention of the National Environmental Management: Waste Act No 59 of 2008. The munucipality is exposed to a maximum penalty that might be imposed to it of R10 000 000.

Figures in Rand	2016	2015

44. Related parties

Relationships

Close family member of key management	Caren-Jo Couture (Pty) Ltd
Members of key management	Chief Financial Officer
	Director of Corporate Services
	Director of Community Services
	Director of Technical Services

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party municipality and another municipality are subject to common control.

Related parties include:

- entities that are directly or indirectly controlled by the municipality;
- associates;
- joint ventures and management;
- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence; and
- entities that control or exert significant influence over the municipality

Related party transactions

A related party transaction is an arrangement between two parties who are joined by a special relationship prior to the arrangement.

Executive management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the municipality, directly or indirectly, including any director (whether executive or otherwise) of the municipality. The municipality's key management personnel includes the Council, Municipal Manager, Chief Financial Officer, Technical Director, Corporate and human resources and Community Services Director.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the group.

Related party balances

Sale of municipal land to key management		
Chief Financial Officer	-	350 000
Director of Corporate Services	-	351 000

Related party transactions

Rental of municipal houses to key management		
Chief Financial Officer	38 930	29 907
Director Community Services	36 551	32 400
Director Techical Services	36 551	32 400
Sale of municipal land to key management		
Chief Financial Officer	-	350 000
Director of Corporate Services	-	351 000
Close family member of key management		
Caren-Jo Couture (Pty) Ltd	9 439	-

A lease agreement exist between the municipality and key management whereby a rental at 6% their salary is due to the municipality

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

44. Related parties (continued)

The above key management bought vacant municipal land through the bidding process, where the public was invited to place bid on the land sold by the municipality.

Caren-Jo Couture (Pty) Ltd, a company whereby a spouse of the key management "Director of Community Service" did busimess with the municipality as disclosed above.

Refer to note 30 for detalis of a detail disclosure in the remuneration of section 57 managers.

45. Prior period errors

The Municipality corrected the following prior period errors retrospectively and restated comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors:

45.1 Understatement of Unconditional grants received and Overstatement of Conditional grants received

During the period under review, we noted an error in the revenue recognition of the equitable share, whereby a full equitable share allocated to the municipality was not disclosed as revenue, as Tresury withheld a portion of Equitable share to be transfered to the municipality due to underspending of the 2013/2014 Municipai Infrastructure Grant. This also lead to the Municipal Infrastructure Grant revenue being overspent by utilising the prior year unspent balance. The comparative statements for 2014/2015 financial year has been restated.

During the period under review, we noted an error in the revenue recognition of the Sishen Iron Ore conditional grant, whereby revenue was not recognised for the grant expenditure. The comparative statements for 2014/2015 financial year have been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in Unspent conditional grants	-	2 164 000
Increase in Unspent conditional grants	-	(1 968 160)
Decrease in Unspent conditional grants	-	61 555

45. Prior period errors (continued)

Statement of financial performance

Increase in Revenue from non-exchange transactions - Government grants and subsidies	-	(61 555)
Increase in Revenue from non-exchange transactions - Government grants and subsidies	-	(2 164 000)
Decrease in Revenue from non-exchange transactions - Government grants and subsidies	-	1 968 160

45.2 - Mistatement on Payables from exchange transactions

During the period under review, we noted a duplication transaction error in payables from exchange transactions for the prior year between the beween the trade payables and un-allocated deposits. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Increase in Payables from exchange transactions - Un-allocated deposits	-	(850 000)
Decrease in Payables from exchange transactions - Trade payables	-	850 000
	-	**-**

45.3 - Payables from exchange transactions - Salary suspense

During the year under review, we noted that the salary suspense control account in the and the general expenses were understated in the prior year when a general expense transaction was incorrectly recorded in the the salary suspense account. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Increase in Payables from exchange transactions - Salary suspense	-	(61 555)
Increase in Input VAT	-	7 559
	-	**(53 996)**

Statement of financial performance

Increase in general expense - Professional and consulting fees	-	53 996

45.4 - Overstatement of Revenue from exchange transactions

During the year under review, we noted an error in revenue from exchange transactions - sundry income, whereby unknown direct bank deposit were recognised as revenue in the statement of financial performance. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Increase in Payables from exchange transactions - Un-allocated deposits	-	(645 547)

Statement of financial performance

Decrease in Revenue from exchange transactions - Sundry Income	-	645 547

45.5 - Overstatement of Inventory

45. Prior period errors (continued)

During the year under review, we noted an overstatement error in inventory, whereby an incorrect journal entry processed between bulk purchases and inventory. Thus, resulting in the overstatement of inventory and the understatement of bulk purchases. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in Inventory	-	(376 483)
Decrease in Accummulated surplus	-	189 903
	-	**(186 580)**
Statement of financial perfomance		
Increase in bulk purchases	-	186 580

45.6 - Misstatement in Cost of sales

During the year under review, we noted an overstatement error in the cost of sales, whereby an unexplained and unsupported journal entry was processed, between the land cost and cost of sales.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in Property plant and Equipment - Land cost	-	1 208 100
Statement of financial performance		
Decrease in Cost of sales	-	(1 208 100)

45.7 - Overstatement in Payables from exchange transactions - Un-allocated deposits

During the year under review, we noted an error in the disclosure of payables from exchange transactions and unspent conditional grants, whereby grant receipts were incorrectly allocated to un-allocated deposit instead of unspent conditional grants. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in Payables from exchange transactions - Un-allocated Deposits	-	2 000 000
Increase in Unspent conditional grants	-	(2 000 000)
	-	**-**

45.8 - Overstatement of Gain on disposal of assets and liabilities and Receivables from exchange transactions

During the year under review, we noted a disclosure error whereby, debtors payments received were classified in the statement of financial performance as gains on disposal of assets instead of being allocated against the existing debtor. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrese in Receivables from exchange transactions	-	(15 395 263)
Statement of financial performance		
Decrease in Gain on disposal of assets and liabilities	-	15 395 263

45. Prior period errors (continued)

45.9 - Overstatement of Receivables from exchange transactions and Output VAT

During the year under review, we noted an error whereby the output debtor VAT was not reduced by debtor receipts while VAT output was correctly claimed and debtors balance was overstated. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in output VAT debtors	-	2 155 336
Decrease in Receivables from exchange transactions	-	(2 155 336)
	-	**-**

45.10 - Understatement of Receivables from exchange transactions

During the year under review, we noted an error whereby Receivables from exchange transactions and gains on sale of assets were understated by the amount of the sale of land that took place in the 2014 financial year. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in Receivables from exchange transactions	-	102 600
Increase in Accummulated surplus	-	(90 000)
Increase in Output VAT debtors	-	(12 600)
	-	**-**

45.11 - Overstatemen of Payables from exchange transactions

During the year under review, we noted that payables from exchange transactions were overstatemented with debtors receipts that were not allocated to existing debtors. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in Payables from exchange transactions - Unallocated deposits	-	275 994
Decrease in Receivables from exchange transactions	-	(275 994)
	-	**-**

45.12 - Understatement of Revenue from exchange transactions - licence and permits revenue

During the year under review, we noted that revenue on licence and permits was not recognised in the statement of financial performance. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in Payables from Exchange transactions - Un allocated deposits	-	1 523 155
Statement of financial performance		
Increase in Revenue from Exchange transactions - Licences and permits	-	(1 523 155)

45.13 - Overstatement of PPE Cost (Land)

45. Prior period errors (continued)

During the year under review, we noted that the Cost of Land that was sold in 2013/2014 financial year was not discposed in the general lesger of the municipality, thus resulting in the overstatement of Property Plant and Equipment (Cost) and the profit on sale of assets. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in Accummulated surplus	-	103 722
Decrease in Property Plant and Equipment - Land Cost	-	(103 722)
	-	**-**

45.14 - Misstatement of Receivables from Exchange transactions - Land sales debtors

During the year under review, we noted that the amount receivable resulting from the sale of land to the public was incorrectly accounted for in the previous year. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in Receivables from exchange transactions - land sales debtor	-	4 593 537
Increase in VAT payables - Output VAT	-	(564 118)
	-	**4 029 419**
Statement of financial performance		
Increase in Revenue from exchange transactions - Sundry income	-	(4 029 418)

45.15 - Understatement of PPE (Land cost)

During the year under review, we noted that the profit on sale of asset and the PPE was inaccurately accounted for the land that was transfered to the municipality by the mine, as part of municipality's land agreement. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in Property Plant and Equipment - Land cost	-	3 025 000
Increase in accummulated surplus	-	(3 025 000)
	-	**-**

45.16 - Mistatement of Finance Lease obligation

During the year under review, we noted an error in the finance lease obligations as value disclosed in the previous year, that was caused by error in journal processed for movements in the 2015 financial year. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in Finance Lease obligation	-	937 121
Statement of financial performance		
Decrease in Lease rentals on operating lease	-	(6 297)

45. Prior period errors (continued)

Increase in Finance costs	-	195 054
Decrease in General expenses - Motor vehicle expenses	-	(1 125 878)
	-	**(937 121)**

45.17 - Overstatement of Operating lease asset

During the year under review, an error was noted in the value disclosed for operating lease asset in the prior year. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in Operating lease asset	-	(45 197)
Decrease in Accummulated surplus	-	43 589
	-	**(1 608)**

Statement of financial performance

Decrease in Revenue from exchange transactions - Rental income	-	1 608

45.18 - Mistatement of Bulk water purchases

During the year under review, an error was noted in the amount disclosed for bulk water purchases in the previous year, as bulk purchase invoices were inacurately recorded in the general ledger. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in Payable from exchange transactions - Trade payables	-	17 781 197
Increase in VAT payables	-	(2 095 234)
	-	**15 685 963**

Statement of financial performance

Decrease in Bulk water purchases	-	(15 685 963)

45.19 - Misstatement of Bulk electricity expense

During the year under review, an error was noted in the amount disclosed for bulk electricity purchases in the previous year, as bulk purchase invoices were inacurately recorded in the general ledger. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Increase in Payables from exchange transactions - Trade payables	-	(25 872 867)
Decrease in VAT payable	-	3 026 079
	-	**(22 846 788)**

Statement of financial performance

Increase in Bulk electricity expense	-	21 614 851
Increase in Finace cost	-	1 231 937
	-	**22 846 788**

45. Prior period errors (continued)

45.20 - Mistatement of service charges

During the year under review, we noted an error in the billing of customers, whereby debtors acccounts were incorrectly billed in the prior year and the consumer debtors inadequately accounted valued. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in Consumer receivables from exchange transactions	-	(3 280 308)
Increase in accummulated surplus	-	(86 603)
Decrease in Consumer receivables from non-exchange transactions	-	(324 641)
	-	**(3 691 552)**
Statement of fianancial performance		
Decrease in revenue from from exchange transactions	-	3 280 308
Decrease in revenue from non-exchange transactions	-	324 641
	-	**3 604 949**

45.21 - Mistatement of Payables from exchange transactions - Trade pade payables

During the year under review, we noted an error in trade payables whereby an outstanding creditor's invoice and credit notes were ommited in the accounting records. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in Accummulated surplus	-	(3 865)
Decrease in Payables from exchange transactions - Trade payables	-	3 865
	-	**-**

45.22 - Overstatement of debt impairment

During the year under review, we noted that impairment of consumer receivables was overstated. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in Consumer debtors from exchange transactions	-	698 108
Statement of fianancial performance		
Decrease in Debt impairment	-	(698 108)

45.23 - Overstatement of Other receivables from exchange transactions

During the year under review, we noted an error in other receivables from exchange transactions whereby grant revenue was overstated and the debtor raised for the overspending that is funded by the municipality. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

45. Prior period errors (continued)

Decrease in Accummulated surplus	-	703 376
Decrease in Other Receivables from exchange transactions	-	(703 376)
	-	**-**

45.24 - Mistatement in Service Charges

During the year under review, we noted an error in service charges, whereby a consumer's billing transactions was incorrectly classified as receivables. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Increase in Accummulated surplus	-	(5 266)
Increase in debtors	-	5 266
	-	**-**

45.25 - Mistatement in Payables from exchange transactions - Trade payables

During the year under review, it was noted that the trade payables were overstated whereby the accounting records of the municipality disclosed unsupported creditors that could not agree to the creditors listing. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Increase in Accummulated surplus	-	(5 853 054)
Decrease in Payables from exchange transactions - Trade payables	-	5 853 054
	-	**-**

45.26 - Mistatement of Bulk electricity expense

During the year under review, we noted an error in the bulk electricity disclosed in the previous year, whereby the bulk electricity purchase was misstated. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in Payables from exchange transactions - Trade payables	-	30 495 064
Increase in VAT Payable	-	(2 542 601)
	-	**27 952 463**

Statement of fianancial performance

Decrease in finance cost	-	(922 420)
Decrease in Electricity bulk purchase	-	(27 030 043)
	-	**(27 952 463)**

45.27 - Mistatement of the Salary control creditor

During the year under review, we noted an error in salary control creditor whereby an incorrect salary control creditor was disclosed. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

45. Prior period errors (continued)

Decrease in Payables from exhange transactions - Salary control	-	7 108 913
Decrease in Other Receivables from exchange transactions	-	(825 877)
Increase in Accummulated surplus	-	(6 766 920)
	-	**(483 884)**

Statement of financial perfomance

General expenses - Consulting and professional fees	-	483 884

45.28 - Mistatement of water inventory

During the year under review, we noted that water inventory disclosed was incorrect, as water inventory in the water pipes network was excluded from the calculation of inventory at year-end and incorrect calculation utilised. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in Accummulated surplus	-	14 883
Decrease in Water inventory	-	(5 131)
	-	**9 752**

Statement of fianancial performance

Decrease in General expense	-	(9 752)

45.29 - Mistatement in Leave accruals

During the year under review, we noted that leave accruals as at 30 June 2015 were not disclosed in the financial statements. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in Accummulated surplus	-	3 258 957
Increase in Payables from exchange transactions - Leave accruals	-	(3 922 627)
	-	**(663 670)**

Statement of fianancial performance

Increase in Employee costs - leave expense	-	663 670

45.30 - Mistatement of Bonus provision

During the year under review, we noted that bonus provision for the year ended 30 June 2015 was not disclosed. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in Accummulated surplus	-	1 328 072
Increase in Payables from excxhange transactions - Bonus provision	-	(1 328 072)
	-	**-**

45.31 - Mistatement in Property Plant and Equipment WIP

45. Prior period errors (continued)

During the year under review, we noted en error in property plant and equipment as the municipality did not have a GRAP compliant asset registers. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in Property plant and equipment (WIP)	-	(11 038 952)
Decrease in Accummulated surplus	-	10 671 068
	-	**(367 884)**
Statement of Financial performance		
Decrease in Revenue from exchange transactions - License and permits	-	122 628
Increase in General expense Professional fees	-	245 256
	-	**367 884**

45.32 - Mistatement in Property Plant and Equipment Infrastructure accummulated depreciation

During the year under review, we noted an error in property plant and equipment accummulated depreciation wheby the municipality revised its asset register to comply to GRAP requirements. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in PPE Infrastructure Cost	-	(269 437 316)
Decrease in PPE Infrustructure Accummulated depreciation	-	(15 699 966)
Decrease in accumulated surplus	-	267 523 031
Increase in PPE Infrastructure Cost	-	6 835 060
Decrease in PPE Work in Progress	-	(6 835 060)
	-	**(17 614 251)**
Statement of fianancial performance		
Increase in Depreciation	-	17 614 250

45.33 - Mistatement in Property Plant and Equipment Buildings

During the year under review, we noted an error in property plant and equipment buildings wheby the municipality revised its asset register to comply to GRAP requirements. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in Property plant and equipment cost	-	56 842 524
Increase in Accummulated Depreciation	-	(16 002 644)
Increase in Accummulated surplus	-	(43 616 592)
	-	**(2 776 712)**
Statement of fianancial performance		
Increase in depreciation	-	2 776 712

45.34 - Mistatement of Property plant and equipment - Land

45. Prior period errors (continued)

During the year under review, we noted an error in the cost of Land disclosed in the prior year. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in property plant and equipment cost	-	(17 606 287)
Decrease in Accummulated surplus	-	17 606 287
	-	**-**

45.35 - Misstatement in depreciation expense and payables from exchange transactions

During the year under review, we noted an error in the depreciation expense in the prior year, whereby additional depreciation was raised against payables from exchange transactions. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in payables from exchange transactions	-	7 531 325
Statement of fianancial performance		
Decrease in depreciation	-	(7 531 325)

45.36 - Mistatement in Heritage assets

During the year under review, we noted an error in Heritage assets, whereby there was no disclosure of heritate of assets. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in Heritage assets cost	-	355 000
Increase in Accummulated surplus	-	(355 000)
	-	**-**

45.37 - Mistatement of Intangible assets

During the year under review, we noted an error in the intangible, whereby the cost, amortisation and accummulated ammortisation were impacted. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in Intangible Assets Accumulated depreciation	-	(290 062)
Increase in Intangible assets costs	-	50 127
Decrease in Accumulated surplus	-	156 446
	-	**(83 489)**
Statement of fianancial performance		
Increase in Depreciation	-	83 487

45.38 - Mistatement of Investment property

45. Prior period errors (continued)

Dueing the year under review, it was noted that the investement property previously disclosed was misstated. As the preious asset register was faulty. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in Investment property cost	-	81 161 905
Decrease in Investment property Accumulated depreciation	-	437 648
Increase in Accumulated surplus	-	(81 599 553)
	-	**-**

45.39 - Understatement of Land inventory

During the year under review, we noted that the land inventory was previously understated, as it was not disclosed. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in Inventory - Land Inventory	-	16 412 713
Increase in Accumulated surplus	-	(16 412 713)
	-	**-**

45.40 - Mistatement of Landfill site assets

During the year under review, we noted an error in the cost, depreciations and the accummulated deprecition of the landfill site asset. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in Land fill assets costs	-	(629 194)
Decrease in Accumulated depreciation	-	292 482
Decrease in Accummulated surplus	-	210 744
	-	**(125 968)**
Statement of fianancial performance		
Increase in depreciation	-	125 968

45.41 - Mistatement in Landfill site provision

During the year under review, we noted an error in the provision for land fill site disclosed, due to an incorrect interest amount. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in provisions	-	(412 152)
Statement of financial performance		
Increase in Repairs and maintenance	-	412 152

45.42 - Mistatement of Property Plant and Equipment - Infrastructure assets

45. Prior period errors (continued)

During the year under review, we noted an error in property pland and equipment other assets, whereby items of non-capital nature were capitalised instead of beng expensed. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in Property plant and equipment - Other assets	-	(414 623)
Statement of fianancial performance		
Increase in Repairs and maintenance	-	414 623

45.43 - Mistatement of consumer deposits

During the year under review, we noted that consumer deposits were incorrectly disclosed in the prior year, due to difference error between the listing and the general ledger that were as a result of non-consumer deposit items being processed in the general ledger. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in Consumer deposits	-	140 423
Increase in Accumulated surplus	-	(140 423)
	-	**-**

45.44 - Mistatement of Payables from exchange transactions

During the year under review, we noted an error in payables from exchange transactions, whereby payables balances that were raised since 2010/2011 financial year and older and there has not been any movements since, nor demand for payment. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in Accumulated surplus	-	(3 599 191)
Decrease in payables from exchange transactions	-	3 599 191
	-	**-**

45.45 - Mistatement of Receivable from exchange transactions and Receivables from non-exchange transactiona

During the year under review, we noted an imbalance error in the prior year receivables from non-exchange transactiona caused by misallocation in the general ledger in 2014. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in Receivables from exchange transactions	-	81 773
Decrease in Receivables from non-exchange transactions	-	(1 850 418)
Decrease in Accumulated surplus	-	1 768 645
	-	**-**

45.46 - Mistatement in Property plant and equipment - Other assets

45. Prior period errors (continued)

Dueing the year under review, we noted an error in property plant and equipment - other assets whereby the cost, depreciation and accummulated depreciation for the prior year was mistated. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in property plant and equipment - other assets cost	-	(4 755 996)
Increase in property plant and equipment - other assets additions	-	349 529
Decrease in Accummulated surplus	-	1 925 773
Decrease in Accumulated depreciation	-	1 531 473
	-	**(949 221)**
Statement of fianancial performance		
Decrease in Repairs and maintenance	-	(349 529)
Increase in depreciation	-	1 298 750
	-	**949 221**

45.47 - Mistatement in Investment property depreciation and accummulated depreciation and fair value adjustment

During the year under review, we noted an error in the depreciation and the accummulated depreciation for the prior year, whereby incorrect depreciation was disclosed. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in Investment property cost	-	3 993 838
Decrease in Investment property accummulated depreciation	-	72 886
	-	**4 066 724**
Statement of fianancial performance		
Decrease in depreciation	-	(72 886)
Increase in fair value adjustment	-	(3 993 838)
	-	**(4 066 724)**

45.48 - Mistatement in retention creditor

During the year under review, we noted an error in the retention creditor, whereby an incorrect amount was disclosed. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in retention creditor	-	1 574 515
Increase in Accumulated surplus	-	(1 574 515)
	-	**-**

45.49 - Mistatement of Other receivables from non-exchange transactions

During the year under review, we noted an error in the amount disclosed on the receivables from non-echange receivable on the department of health. The comparative statements for 2014/2015 financial year has been restated.

The correction of the error(s) results in adjustments as follows:

45. Prior period errors (continued)

Statement of financial position		
Increase in Receivables from non-exchange transactions	-	424 000
Statement of fianancial performance		
Increase in Transfer revenue - Government grants & subsidies	-	(424 000)

46. Comparative figures

Certain comparative figures have been reclassified.

During the period under review, we identified account balances that were misclassified in the annual financial statements

The effects of the reclassification are as follows:

Statement of financial position - extract

	Comparative figures previously reported	Reclassification	After reclassification
Receivables from non-exchange transactions	22 025 510	(19 008 300)	3 017 210
Other receivables from exchange transactions	32 185 819	1 133 977	33 319 796
Consumer receivables from exchange transactions	4 130 875	13 331 324	17 462 199
Cash and cash equivalents	10 372 442	344 026	10 716 468
VAT receivable	-	5 383 751	5 383 751
Consumer receivables from non-exchange transactions	-	5 721 584	5 721 584
Property, plant and equipment - Other property, plant and equipment - Cost	18 972 757	10 540 850	29 513 607
Property, plant and equipment - Leased - Cost	10 540 850	(10 540 850)	-
Property, plant and equipment - Other property, plant and equipment - Accummulated depreciation	(14 159 916)	(1 416 222)	(15 576 138)
Property, plant and equipment - Leased - Accummulated Depreciation	(1 416 222)	1 416 222	-
Payables from exchange transactions	93 264 195	3 994 488	97 258 683
Consumer deposits	1 959 533	22 138	1 981 671
Bank overdraft	639 993	6 156 917	6 796 910
VAT Payable	3 267 183	(3 267 183)	-
Defined benefit obligation	9 697 000	2 369 000	12 066 000
Provisions	8 444 110	(2 369 000)	6 075 110
Total	**199 924 129**	**13 812 722**	**213 736 851**

46. Comparative figures (continued)

Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
Revenue from exchange transactions - Service charges	79 004 429	(199 428)	78 805 001
Revenue from exchange transactions - Sundry income	14 411 465	201 366	14 612 831
Revenue from exchange transactions - Rental income	143 472	367 884	511 356
Revenue from exchange transactions - Actuarial gains	816 041	(816 041)	-
Transfer revenue - Government grants & subsidies	47 609 599	1 046 417	48 656 016
Employee related costs	53 668 169	2 772 298	56 440 467
Remuneration of councillors	2 944 415	(30 659)	2 913 756
Lease rentals on operating lease	-	416 730	416 730
Repairs and maintenance	3 890 542	1 085 062	4 975 604
General Expenses	36 466 462	(3 195 074)	33 271 388
Actuarial gains/losses	-	816 041	816 041
Total	**238 954 594**	**2 464 596**	**241 419 190**

47. Risk management

Financial risk management

This note presents information about the municipality's exposure to each of the financial risks below and the municipality's objectives, policies and procedures for measuring and managing financial risks. Further quantitative disclosures are included in the Annual Financial Statements.

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The municipality's audit committee oversees the monitoring of compliance with the municipality's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the municipality. The audit committee is assisted in its oversight role by the municipality's internal audit function.

The municipality's exposure to risk is similar to that of the previous year. The municipality still faces the same risks as in the previous financial year.

The municipality monitors and manages the financial risks relating to the operations of the municipality through internal risk reviews which analyse exposures by degree and magnitude of risks. These risks include the following:

- liquidity risk;
- credit risk; and
- market risk (including interest rate risk).

The municipality seeks to minimize the effects of these risks in accordance with the municipality's policies approved by the Council. The policies provide written principles on interest rate risk, credit risk and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipality does not enter into or trade in financial instruments for speculative purposes.

47. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The municipality's exposure to liquidity risk is as a result of the funds not being available to cover future commitments. The municipality manages liquidity risk through ongoing review of commitments. The municipality has started replacing rotational meters with prepaid meters to improve the cash funds available.

The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities

The municipality has not defaulted on payables and lease commitment payments and no re-negotiation of terms were made on any of these instruments. All of the municipality's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the municipality.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year		Between 1 and 2 years	
Figures in Rand	**2016**	**2015**	**2016**	**2015**
Finance lease obligation	3 209 093	2 918 006	2 333 527	5 247 251
Long term loan	119 979	559 882	-	136 480
Payables from exchange transactions	109 752 251	51 343 191	-	-
	113 081 323	54 821 079	2 333 527	5 383 731
	113 081 323	**54 821 079**	**2 333 527**	**5 383 731**

47. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Maximum exposure to credit risk: There has been no significant change during the financial year, or since the end of the financial year, to the municipality's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Cash and cash equivalents	11 190 152	10 716 468
Consumer receivables from exchange transactions	17 640 973	14 263 662
Consumer receivables from non-exchange transactions	4 519 797	3 546 524
Other receivables from exchange transactions	17 607 037	18 939 323
Receivables from non-exchange transactions	3 955 350	3 441 210

These balances represent the maximum exposure to credit risk.

Market risk

Market rate risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

There has been no change, since the previous financial year to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists of the following risks:

47. Risk management (continued)

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually at fixed rates. The municipality's exposures to interest rates on financial assets and financial liabilities are detailed below:

At year-end, financial instruments exposed to interest rate risk due to being linked to prime interest rate were as follows:

- Call and notice deposits
- Current bank accounts
- Finance lease libility
- Long-term loan

The municipality's interest rate risk arises from the above financial instruments being linked to the prime interest rate. The prime interest rate is used as a factor in calculating the interest received or interest charged on these financial instruments. Fluctuations in the prime interest rate during the year give rise to a possible interest rate risk affecting the municipality.

Interest charged on the inter company loans are calculated using the prime rate at the beginning of the financial year on a weighted average basis. Since this interest rate is only based on prime rate at one point during the financial year, fluctuations in prime during the year will not have a material effect on these loans.

Fair values

The municipality's financial instruments consist mainly of cash and cash equivalents, investments, trade receivables, trade payables and long term debt.

No financial asset was carried at an amount in excess of its fair value. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities.

Receivables from exchange transactions

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt) approximates fair value due to the relatively short-term maturity of these financial assets.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

Interest bearing loans

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

Foreign currency risk

The municipality does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.

47. Risk management (continued)

Price risk

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices.
These changes are caused by factors specific to the individual financial instruments for its users or by factors affecting all similar financial instruments in the market. The municipality's financial instruments are affected by the whole sale price of electricity from ESKOM and water from Sedibeng Water.

48. Going concern

The following analysis supports the going concern assumption:

- Current liabilities (R 116 788 287) exceed current assets (R 81 902 016)
- Total assets (R 763 639 317) exceed total liabilities (R 141 574 033)

The Municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act (Act 10 of 2014).

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Management has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality has implemented a system to enhance the revenue collection and cash flow by improving on the debt recoverability processes.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

49. Events after the reporting date

Council is not aware of any material matter or circumstances arising since the end of the financial year to the date of this report in respect of matters which would require adjustments to or disclosures in the annual financial statements.

50. Unauthorised expenditure

Unauthorised expenditure	345 938 279	339 782 952
Add: Unauthorised Expenditure - current year	25 998 499	6 155 327
Under investigation by council	**371 936 778**	**345 938 279**

Opening balance	345 938 279	339 782 952
Identified in current year		
- Relating to current year	25 998 499	6 155 327
	371 936 778	**345 938 279**

51. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	21 224 305	45 284 951
Add: Fruitless and Wasteful Expenditure - current year	4 699 037	1 300 071
Less: VAT penalty	-	(25 360 717)
Less: Approved by council	(1 243 013)	-
Under investigation by council	**24 680 329**	**21 224 305**

52. Irregular expenditure

Opening balance	61 975 508	58 074 340
Add: Irregular Expenditure - current year	4 535 270	3 901 168
Less: Amounts Approved by Council	(4 535 270)	-
Less: Amounts Aproved by Council (MPAC 2/2016)	(61 975 508)	-
Under investigation by council	**-**	**61 975 508**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Deviations	The expenditure was incured in the current year. No disciplinary steps were taken. The expenditure has been submitted to council for consideration of being written off.	4 535 270

Details of irregular expenditure condoned

	Condoned by (condoning authority)	
Tender process Competitive bidding processes were not followed	Municipali Council (MPAC)	61 975 508
Deviations	Municipal Council	4 535 270
		66 510 778

53. In-kind donations and assistance

Donor		
Kolomela Mine	-	236 597
National Treasury	1 646 637	-
	1 646 637	**236 597**

The national treasury is directly funding the service provided by TGIS, for asset verification and the preparation of GRAP compliant asset register. The cost of this services is R 1 637 453 (2015: R -)

The Natioanl treasury is directly funding the services provided by the audit committee member of the municipality. The cost of the service is estimated to be R 9 184 (2015: R -)

Kolomela Mine donated a server to the municipality valued at R - (2015: R 236 597).

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Current year subscription / fee	617 460	530 180
Amount paid - current year	-	(530 180)
	617 460	**-**

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Material losses

Electricity distribution losses

Electricity distribution losses		
kWh purchased	36 474 768	37 985 465
less: kWh sold	(24 094 263)	(25 741 635)
kWh Losses	**12 380 505**	**12 243 830**
% losses	33,94%	32,23%
Average cost per kWh unit	0,92	0,81
Loss in Rand value	11 410 628	9 862 215
Water distribution losses (Kilo litres)		
Kilo litres purchased	2 292 682	1 750 073
less: Kilo litres sold	(1 212 998)	(1 390 703)
less: Water inventory at year-end	(12 567)	(11 358)
Kilo litre losses	**1 067 117**	**348 012**
Heading		
% losses	47,09%	20,53%
Average cost per kilo litre	7,06	6,54
Loss in Rand value	7 537 192	2 277 600

Audit fees

Opening balance	7 604 217	3 828 061
Current year subscription / fee	3 376 139	6 039 881
Amount paid - previous years	(10 980 356)	(2 263 725)
	-	**7 604 217**

PAYE, SDL and UIF

Opening balance	93 267	55 733
Current year subscription / fee	1 238 356	787 466
Amount paid - current year	(1 331 623)	(778 057)
	-	**65 142**

Pension and Medical Aid Contributions

Opening balance	1 286 888	1 286 888
Current year subscription / fee	10 779 056	6 091 821
Amount paid - current year	(11 540 036)	(6 091 821)
	525 908	**1 286 888**

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	10 012 954	9 340 807

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

Councillor	Jul 2015	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015
M OLIPHANT	320	-	-	-	-	-
JJ SWART	-	321	-	-	-	-
MJ TONYANE	11 138	11 468	11 797	12 159	12 520	12 881
MC MASHILISHILI	12 877	12 877	12 545	12 245	11 945	11 786
SR BROWNE	91 488	99 506	102 189	100 189	114 641	124 634
EEJ PHETE	-	-	381	904	1 539	1 471
PGE BESSIES	17 214	16 874	16 501	16 501	16 501	16 337
Subtotal	133 037	141 046	143 413	141 998	157 146	167 109
	133 037	**141 046**	**143 413**	**141 998**	**157 146**	**167 109**

Councillor	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016
MJ TONYANE	13 243	13 604	13 965	14 327	14 688	15 049
MC MASHILISHILI	11 486	11 186	10 886	10 586	10 286	9 283
SR BROWNE	108 737	117 089	124 634	125 026	124 068	132 955
EEJ PHETE	1 054	1 054	170	170	-	306
PGE BESSIES	16 418	15 918	15 684	15 718	15 718	15 939
Subtotal	150 938	158 851	165 339	165 827	164 760	173 532
	150 938	**158 851**	**165 339**	**165 827**	**164 760**	**173 532**

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

Councillor	Jul 2014	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014
M OLIPHANT	-	-	-	2 800	2 539	2 563
MJ TONYANE	15 049	15 049	15 049	8 172	8 501	8 831
MC MASHILISHILI	9 283	9 283	9 283	10 970	11 537	12 105
SR BROWNE	132 955	132 955	132 955	73 555	86 633	76 959
EEJ PHETE	306	306	306	1 984	123	328
PGE BESSIES	15 939	15 939	15 939	17 494	17 503	17 508
Subtotal	173 532	173 532	173 532	114 975	126 836	118 294
	173 532	**173 532**	**173 532**	**114 975**	**126 836**	**118 294**

Councillor	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	Jun 2015
M OLIPHANT	1 948	1 717	1 134	1 517	1 389	965
MJ TONYANE	9 161	9 490	9 820	10 149	10 479	10 809
MC MASHILISHILI	12 672	13 002	13 423	13 311	13 155	12 999
SR BROWNE	86 268	85 394	93 391	94 163	104 275	99 350
EEJ PHETE	164	185	205	-	-	-
PGE BESSIES	14 600	15 905	15 905	15 905	15 939	15 939
Subtotal	124 813	125 693	133 878	135 045	145 237	140 062
	124 813	**125 693**	**133 878**	**135 045**	**145 237**	**140 062**

Notes to the Annual Financial Statements

Figures in Rand

55. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Figures in Rand	2016	2015
Deviations		
Emergency	2 140 402	33
Sole Provider	1 046 367	50
Strip & Quote	20 817	1
Other	1 327 682	110
	4 535 268	**194**

56. Inter-departmental consumption

The inter-departmental consumption is based on units consumed as per the meter records.

57. Non-compliance with Municipal Finance Management Act and other Legislation

Non-compliance with Municipal Finance Management Act

During the current financial year the following non-compliance issues were identified:

Non-compliance with Municipal Systems Act sec 86 H(2)(1)

A municipality may pass a by-law establishing a service utility which provides for the appointment of the Councillors to manage the service utility. The municipality did not fully comply with the provisions of the Municipal Systems Act as the term of the Councillors ended April 2016. Thus for the two months of May 2016 and June 2016 the municipality did not have a Councillorss. However a new Councillors was appointed with effect from 1 July 2016.

Non-compliance with MFMA sec 65(2)(e)

Money owing by the municipality to the value R 84 733 403 was not paid within 30 days of receiving the relevant invoice or statement mainly due to the lack of proper supporting documents and late submission of invoices by the supplier.

Non-compliance with the Companies Act

In terms of section 9 of the Companies Act 71 of 2008 the municipality must comply with all relevant provisions of the Act except where the municipality has obtained exemptions. This was not complied with in the following aspects:

- The municipality did not have the whistle-blowing mechanism during the period under review as required by Section 159 of the Act.
- The municipality did not finalise the code of conduct of ethics for the Board of Directors that meets the provisions of Section 214 of the Act.

Non-compliance with King III Code of Governance for South Africa, 2009

The King III Report on Corporate Governance (2009) provides governance principles and best implementation practice guides. The municipality did not fully comply with the provisions of the code in the following aspects:

- The municipality did not develop an Environmental Impact Assessment Plan and did not perform any environmental impact assessments.

The Employment Equity Act no. 55 of 1998 Section 3(2) and 20(1)

The municipality did not finalise the development and approval of the employment equity plan during the financial year.

58. Budget differences

Variance explanations

The budget is approved on an accrual basis by nature of classification. The budget and the accounting bases are both on the accrual basis. The annual financial statements are prepared using the nature of expenses in the statement of financial performance. The approved budget covers the fiscal period from 1 July 2015 to 30 June 2016.

Changes from approved budget to final budget are the result of reallocations and shifting within the budget.

Basis for material differences between budget and actual amounts.

It is general practice to deem a 5% deviation on operational revenue and expenditure versus the final budget as material and for capital expenditure the percentage deviation is 5%.

Explanations for material variances relating to the Statement of Financial Performance is set out as follows:

58. Budget differences (continued)

1. Service charges - The variance is attributed to impact that the ESKOM call on customers to use electricity more sparing has had on the general consumption. Other factors include the tariffs adjustments during the course of the year and the electricity theft and meter tampering.

2. Other Income - The variance is mainly due to the fact that some of the other revenue line items budgeted for did not materialize as anticipated. These include insurance claims, fines and training income.

3. Interest received on investments - The variance is mainly due to interest charged on customers' accounts that are overdue . The other factor is the investment interest earned exceeding the budgeted amount.

4. Public contributions and donations - The variance is due to the fact that in the past there were backlogs of electricity connections that were completed but were never recorded as revenue. The correction has been effected in the current year resulting in a significant portion of the public connection being realized in the current year. A further contributing factor is the handover of completed infrastructure network assets to the municipality.

5. Employee related costs - The variance is mainly due to seconded employees budgeted for under management fees who were transferred to the municipality as its own employees. This resulted in a reduction of the actual management fees expense and an increase in the actual employee related cost.

6. Depreciation and amortisation - The variance is mainly due to the assets revaluation that was performed at the end of the 2014/15 financial year for which the related depreciation has been accounted for in the 2015/16 financial year.

7. Impairment loss/ Reversal of impairments - The impairment relates to inventory write downs which at the time of budget preparation can not be estimated accurately and is hence not budgeted for.

8. Debt impairment - The main reason for the variance is enhanced debt collection of long outstanding debtors, resulting in a decrease in the impairment provision.

9. Repairs and maintenance - The main reason for the variance is due to the fact that the municipality procured a fleet of new vehicles which significantly reduced the actual vehicle repairs and maintenance expense.

10. General Expenses - The main reason for the variance was due to the fact that the municipality experienced a decline in revenue that required stringent controls over expenditure which resulted in a reduction in the individual general expenditure items.

Explanations for material variances relating to the Statement of Financial Position is set out as follows:

Current assets

The municipality does not budget for current portions of long term assets. The current portion as reflected on the face of the statement of financial position is budgeted for as part of the non-current assets.

1. Investments - The main reason for the variance is due to the fact that the investments matured as at year end and the accounts were closed off. The receipts are reflected in the cash and cash equivalents.

2. Other receivables from exchange transactions - The main reason for the variance is due to the fact that the vendors accounts were corrected to account for output value added tax on the sales receipts they deposited.

3. Consumer debtors - The main reason for the variance is due to the fact that at the time of preparing the budget the municipality had a plan in place to convert most of the rotational meters to prepaid. This was not fully implemented as at year end.

4. Cash and cash equivalents - The main reason for the variance is due to the fact that the investments matured as at year end and the accounts were closed off. The proceeds from the investment have been disclosed as cash and cash equivalents.

Current Liabilities

58. Budget differences (continued)

The municipality does not budget for current portions of long term liabilities. The current portion as reflected on the face of the statement of financial position is budgeted for as part of the non-current liability.

1. Consumer deposits - The main reason for the variance is due to the fact that new electrification projects which have been completed are required to open a new account and pay a consumer deposit. A large portion of these were large bulk connections which require a large consumer deposit.

Non-Current Liabilities

1. Other financial liabilities - The main reason for the variance is due to the fact that the interest on the shareholder's loan for the current year was set off against the intercompany loan account instead of being settled in cash.

2. Finance lease obligation - The main reason for the variance is due to the fact that the municipality entered into new lease agreement in the course of the current financial year.

3. Operating lease liability - The main reason for the variance was due to the fact that the operating lease was budgeted for as an operating expense and no budget was done for the straight lining effect of the operating lease on the statement of financial position.

4. Long service awards - The main reason for the variance is due to the fact that some of the previously seconded employees have transferred to Centlec resulting in an increase in the number of employees included in the long service awards calculation.